

# **A Study On Financial Performance Using The Ratio Analysis At Kaleeswarar Mills B Unit Of National Textile Corporation Ltd**

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**ABSTRACT :** *The present study of the research entitled “A STUDY ON FINANCIAL PERFORMANCE USING THE RATIO ANALYSIS AT KALEESWARAR MILLS B UNIT OF NATIONAL TEXTILE CORPORATION LTD”. The study was based on secondary data from records, reports and profile of the organization. The validity of any research is based on the systematic method of data collection analysis. The Ratio analysis is the process of identifying the financial soundness and cost effectiveness of the firm by establishing relationship between the items of balance sheet and profit and loss a/c. The present study has thrown major concentration in ratio analysis, from the 5years balance sheet and profit and loss a/c. An objective of the study includes the profitability, cost of goods sold and other experience company overall financial performance of the company. Short term-long term position of the company. Based on the five years balance sheet and profit and loss a/c suitable suggestion were given by the researcher for a better soundness and cost effectiveness of the company.*

## **I. INTRODUCTION**

Kaleeswarar mills „B“ unit, Kalayarkoil is a unit of national Textile corporation (Tamilnadu&Pondichery) Ltd Coimbatore, owned by Government of India. when the condition of the textile mill was worse the Government of India decided to take over the management of this sick textile mills. Accordingly an act was passed which was called “The sick textile undertaken act 1974” The main intention of this enactment was:

- 1) To Provide Continuous employment to the employees.
- 2) To fulfill the basic necessities of worker at cheaper rate.
- 3) To protect Government revenue (Tax/Duty)

It is one of the best leading mills among NTC mills in India. NTC that is the holding company New Delhi selected this unit as a model mill and if deputed techniques and higher officials of various subsidiaries to this unit for field study. “ENTYCE” yarn produced by Kaleeswarar mills “B” unit Kalaiyarkoil are 90% of their yarn produced are sold in the Mumbai market and some them are sent to their own depot for sales. The capacity of this unit was increased only after 1984. The mill had entered into export marketing during 1987-1988. The mill already exported to Belgium, west Germany, U.K etc. in internal Products are sold the depot at Madurai, Erode, Tripper, and Bunge.

## **II. REVIEW OF LITERATURE**

**Robert W. Smith and Thomas D. Lynch**

Ratio is any strategic or tactical advantage, and as a verb, means to exploit such an advantage, just as the use of a physical lever gives one an advantage in the physical sense. Ratio is a very popular business term. In the world of finance, Ratio is the use of borrowed money to make an investment and the return on an investment.

**Ethan Coquette**

Which an investor or business is utilizing borrowed money. Companies that are highly lRatio may be at risk of bankruptcy if they are unable to make payments on their debt; they may also be unable to find new lenders in the future. Ratio is not always bad, however; it can increase the shareholders' return on their investment and often there is tax advantages associated with borrowing.

## **III. RESEARCH METHODOLOGY**

The researcher adopted the analysis of data in a manner that to combine relevance to purpose with economy in procedure. Research design is the basis of defining the research problem. The preparation of the design of the project is popularly known as research design. It was used in primary data was collected for the first time. The project data has been collected through discussion with accounts manager of the company. Secondary data that are already collected and analyzed by someone else such as annual reports, internal records, journals, magazines and newspapers. The study depends mainly in company's report, books and company's profile. The tools are used ratio analysis in five year period of the study 2009-2013.

#### IV. OBJECTIVES OF THE STUDY

To analyze the ratio analysis of the KALEESWARAR MILLS „B“ unit, Kalayarkoil is a unit of national Textile Corporation Ltd..

#### . RATIO ANALYSIS

##### CURRENT RATIO

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

TABLE SHOWING CURRENT RATIO

Year	Current assets (Rs in Crore)	Current liabilities (Rs in crore)	Ratio (%)
2008-2009	40257368.34	25209924.40	1.60
2009-2010	167979380.52	38774695.23	4.33
2010-2011	156197744.19	60092442.95	2.60
2011-2012	228981358.82	60116161.38	3.81
2012-2013	224360290.10	68932830.58	3.25

Source: Secondary data

##### ABSOLUTE LIQUID/CASH RATIO

$$\text{Absolute Liquid Ratio} = \frac{\text{Absolute liquid Assets}}{\text{Current Liabilities}}$$

TABLE SHOWING ABSOLUTE LIQUID RATIO

Year	Absolute liquid asset (Rs in Crore)	Current liabilities (Rs in crore)	Ratio (%)
2008-2009	49209.72	25209924.40	0.0020
2009-2010	101573.02	38774695.23	0.0026
2010-2011	71663.31	60092442.95	0.0012

2011-2012	2014420.86	60116161.38	0.0335
2012-2013	16664084.91	68932830.58	0.2417

Source: Secondary data

#### ACID TEST RATIO

$$\text{Inventory/stock turnover ratio} = \frac{\text{Sales}}{\text{Inventories}}$$

TABLE SHOWING ACID TEST RATIO

Year	Liquid Assets (Rs in Crore)	Current liabilities (Rs in crore)	Ratio (%)
2008-2009	15047443.94	25209924.40	0.60
2009-2010	129204685.29	38774695.23	3.33
2010-2011	96105301.24	60092442.95	1.60
2011-2012	108865197.44	60116161.38	2.81
2012-2013	155427459.52	68932830.58	2.25

Source: Secondary data

#### INVENTORY STOCK TURNOVER RATIO

$$\text{Acid test Ratio} = \frac{\text{Liquid Assets}}{\text{Current liabilities}}$$

TABLE SHOWING INVENTORY TURNOVER RATIO

Year	Sales (Rs in Crore)	Inventories (Rs in Crore)	Times
2008-2009	180901425.79	25324162.41	7.14
2009-2010	257354530.45	35987603.25	7.15
2010-2011	296527140.88	74535121.26	3.98
2011-2012	258451522.23	16182173.49	15.97
2012-2013	453326218.00	25239597.49	17.96

Source: Secondary data  
DEBTORS TURNOVER RATIO

$$\text{Debtor's turnover ratio} = \frac{\text{Total Sales}}{\text{Debtors}}$$

1.5 TABLE SHOWING DEBTORS TURNOVER RATIO

Year	Total Sales (Rs in Crore)	Debtors (Rs in crore)	Times
2008-2009	180901425.79	5780936.84	31.29
2009-2010	257354530.45	13600093.00	18.92
2010-2011	296527140.88	7664480.14	38.69
2011-2012	258451522.23	16182173.49	15.97
2012-2013	453326218.00	25239597.49	17.96

Source: Secondary data

## V. INTERPRETATION

- The current ratio of the company is higher (4.33%) in 2009-2010 and it is lower (1.60%) in 2008-2009
- The Absolute liquid ratio of the company is higher (0.2417%) in 2012-2013 and it is lower (0.0012%) in 2010-2011
- The Acid test ratio of the company is higher in 2009-2010 (3.33%) and it is lower in 2008-2009 (0.60%)
- The Inventory turnover ratio of the company is higher in 2012-2013 (17.96 %) and it is lower in 2008-2009 (7.14%).
- The debtor's turnover ratio is higher in 2010-2011 (38.69%) and the ratio is lower in 2011-2012 (15.97%).

## SUGGESTION:

- The company should concentrate the financial performance of the company.
- The company should control the ratio to earn more profit.
- I suggest the company to improve the absolute liquid asset.

## VI. CONCLUSION

The study conducted on ratio analysis at "Kaleeswarar mills „B", unit of national textile corporation ltd" gives a view of analysis evaluation of liquidity position of the company. Based on the tools used analysis and interpretation have been made giving way for useful and constructive suggestions. Thus the ratio analysis of the company is satisfactory. The company should enhance its performance for meeting challenges and exploiting opportunities in future. The project will guide to the management to interpret its weakness and problems this will certainly help the management to taking financial decision. However more efforts need to be taken to improve the financial position for the growth of the company.

PARTICULARS	2008-2009	2009-2010	2010-2011
<b>1.SOURCE OF FUNDS</b>			
(a)shareholders fund			
i)share capital	26348000.00	26348000.00	26348000.00
ii)Reserve and surplus	1975899.43	111810934.43	111810934.43
(b)loan fund			
i)secured loans	509655.46	6694630.10	7769086.21
ii)unsecured loans	278130115.18	218412623.90	184723587.52
<b>TOTAL</b>	<b>306963670.07</b>	<b>363266188.43</b>	<b>330651608.16</b>
<b>2.APPLICATIONS OF FUNDS</b>			
a)Fixed Assets			
i)Gross Block	211113843.97	218851732.32	224080485.36
ii)Less: Depreciation Reserve	105211537.18	116899927.18	132615046.67
iii)Net Block	105902306.79	101951805.14	91465438.69
iv)capital WIP	6815954.23	-	2776588.23
<b>TOTAL</b>	<b>112718261.02</b>	<b>101951805.14</b>	<b>94242026.92</b>
b)Investment	100.00	100.00	100.00
c)Current Assets, Loans &Advances			
i)Inventories	25324162.41	35987603.25	74535121.26
ii)sundry debtors	5780936.84	13600093.00	7664480.14
iii)cash and bank balance	49209.72	101573.02	71663.31
iv)other current assets	8442328.07	6276981.71	5946182.11
v)Loans Advances	860731.30	104175899.65	16782622.68
vi)Inter-sub unit office current a/c	-	-	-
vii) Inter- unit office current a/c	-	7837229.89	51197674.69
<b>TOTAL (A)</b>	<b>40257368.34</b>	<b>167979380.52</b>	<b>156197744.19</b>
<b>LESS</b>			
Current liabilities Provision			
i)Current liabilities	25209924.40	38774695.23	60092442.95
ii)Provision	31101247.00	35565300.00	34794861.00
iii)Inter sub office current a/c	-	105066.00	-
<b>TOTAL (B)</b>	<b>56311171.40</b>	<b>74445061.23</b>	<b>94887303.95</b>
Net current assets/liabilities (A-B)	16053803.06	93534319.29	61310440.24
Miscellaneous expenses	-	-	-
Inter unit current a/c	35366346.70	-	-
d)Profit & loss a/c			
(Balance as per annexed a/c)	245665458.81	167779964.00	175099041.00
<b>TOTAL</b>	<b>306963670.07</b>	<b>363266188.43</b>	<b>330651608.16</b>

Kaleeswarar mills „B”, unit of national textile corporation ltd

Balance Sheet as on 31<sup>st</sup> March 2011-2012 & 2012-2013

PARTICULARS	2011-2012	2012-2013
<b>I.EQUITY AND LIABILITIES</b>		
1.Shareholders funds		
a)Share capital	26348000.00	26348000.00
b)Reserve & Surplus	245634591.74	170102543.37
<b>SUB TOTAL(1)</b>	<b>219286591.74</b>	<b>143754543.37</b>

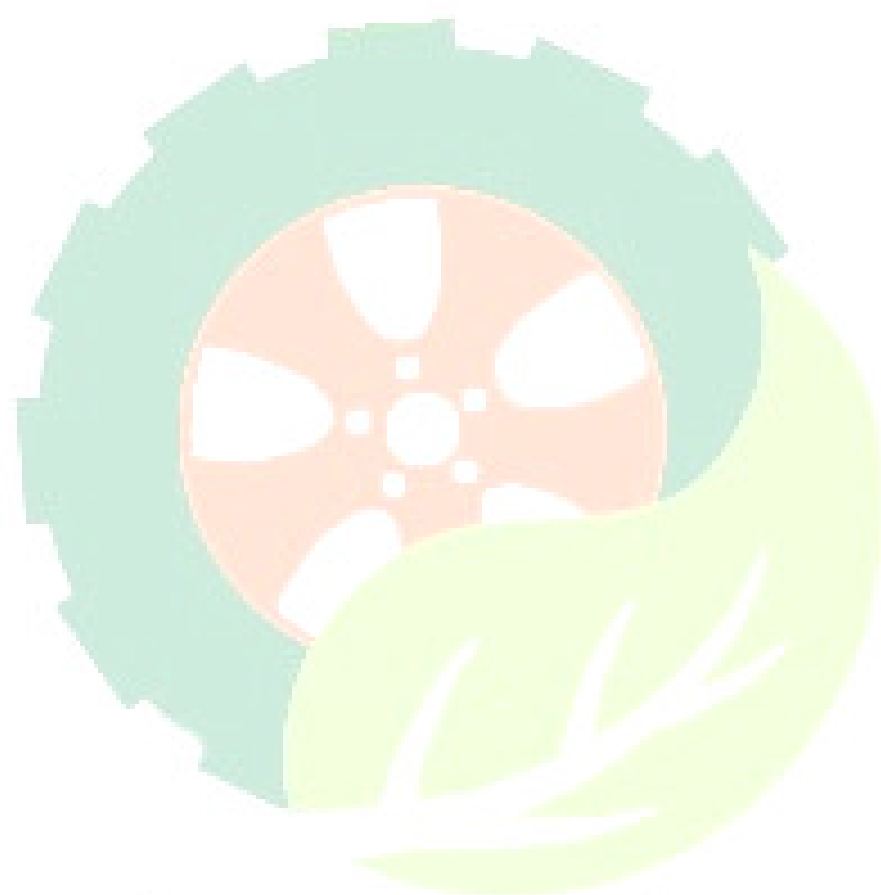
2.Non current liabilities		
a)Long term Borrowings	906771806.60	667078307.52
b)Deferred tax Liabilities	-	-
c)Other Long term liabilities	-	-
d)long term provisions	34458665.00	34297550.00
<b>SUB TOTAL(2)</b>	<b>941230471.60</b>	<b>701375857.52</b>
3.Current liabilities		
a)Short term borrowings	-	-
b)Trade payable	15115857.24	32177631.32
c)Other current liabilities	40148325.14	35604878.26
d)Short term provisions	4851979.00	1150321.00
e) Inter-sub unit office current a/c	-	-
f) Inter- unit office current a/c	-	-
<b>SUB TOTAL(3)</b>	<b>60116161.38</b>	<b>68932830.58</b>
<b>TOTAL(1+2+3)</b>	<b>782060041.24</b>	<b>626554144.73</b>
<b>II.ASSETS</b>		
1.Non current asset		
a)Fixed assets		
i)Tangible assets	142415994.40	138675341.82
ii)Intangible assets	-	-
iii)Capital WIP	397117086.53	209782663.61
iv)Intangible assets under development	-	-
<b>SUB TOTAL(a)</b>	<b>539533080.93</b>	<b>348458005.43</b>
b)Non current investment	100.00	100.00
c)Deferred Tax assest(net)	-	-
d)Long term loans & advances	13533501.49	53480583.20
e)other non current assets	12000.00	255166.00
<b>SUB TOTAL(1)</b>	<b>553078682.42</b>	<b>402193854.63</b>
2.current assets		
a)Current investment	-	-
b)Inventories	115599800.75	128068985.61
c)sundry debtors	16182173.49	25239597.49
d)cash and bank balance	2014420.86	16664084.91
e)Short term Loans Advances	5739655.98	3163115.61
f)other current assets	8326298.56	6988572.56
g)Inter-sub unit office current a/c	-	-
h) Inter- unit office current a/c	81119009.18	44235933.92
<b>SUB TOTAL(2)</b>	<b>228981358.82</b>	<b>224360290.10</b>
<b>TOTAL(1+2)</b>	<b>782060041.24</b>	<b>626554144.73</b>

## REFERENCES

I.M Pandey .Financial Management, 9<sup>th</sup> Edition , Vikas Publishing House Pvt Ltd, Vol.23, pp.320-328.

## WEBSITES

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